

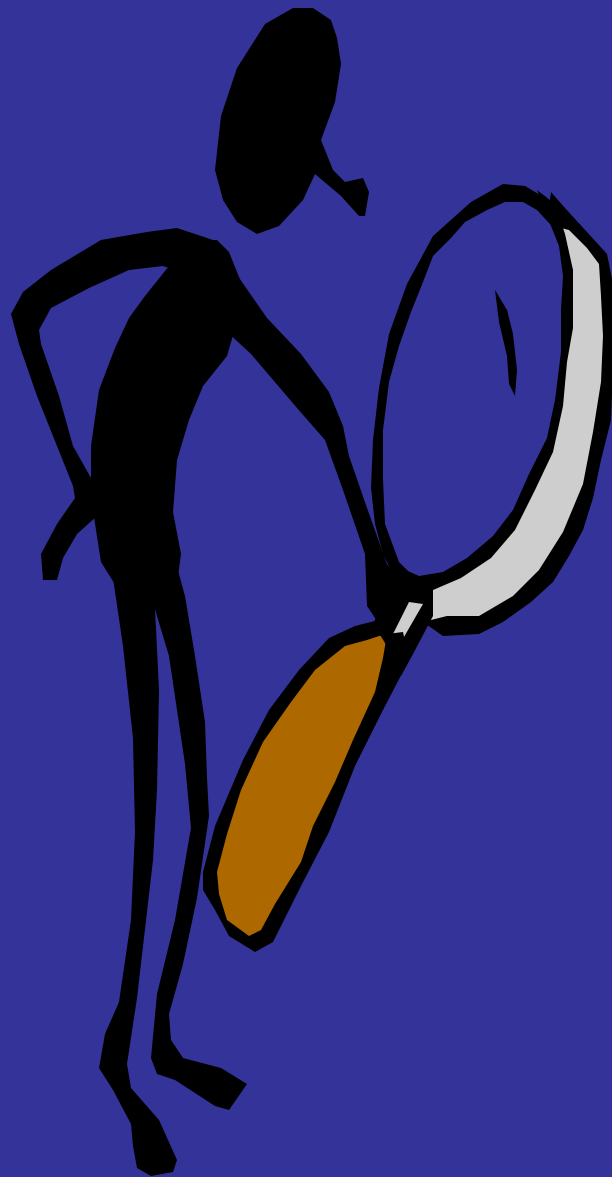
It's Accrual Time

September 1999

Presented by: Chuck Kilgore

Finance Office (OFA2)

(301) 413-8795, x131

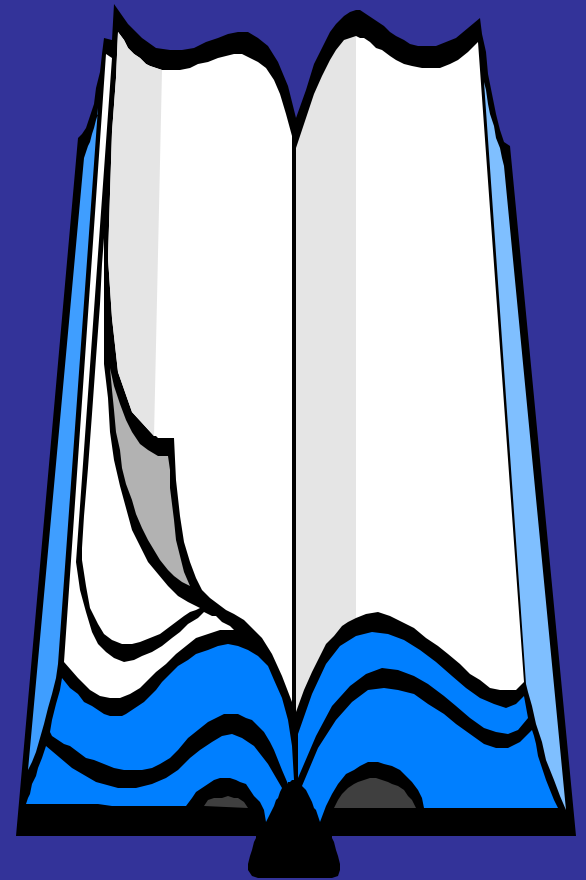


Outstanding Audit Finding Since Fiscal Year 1994:

*“Some accounts payable
and related expenses are
overstated, and some are
not accrued at year-end.”*

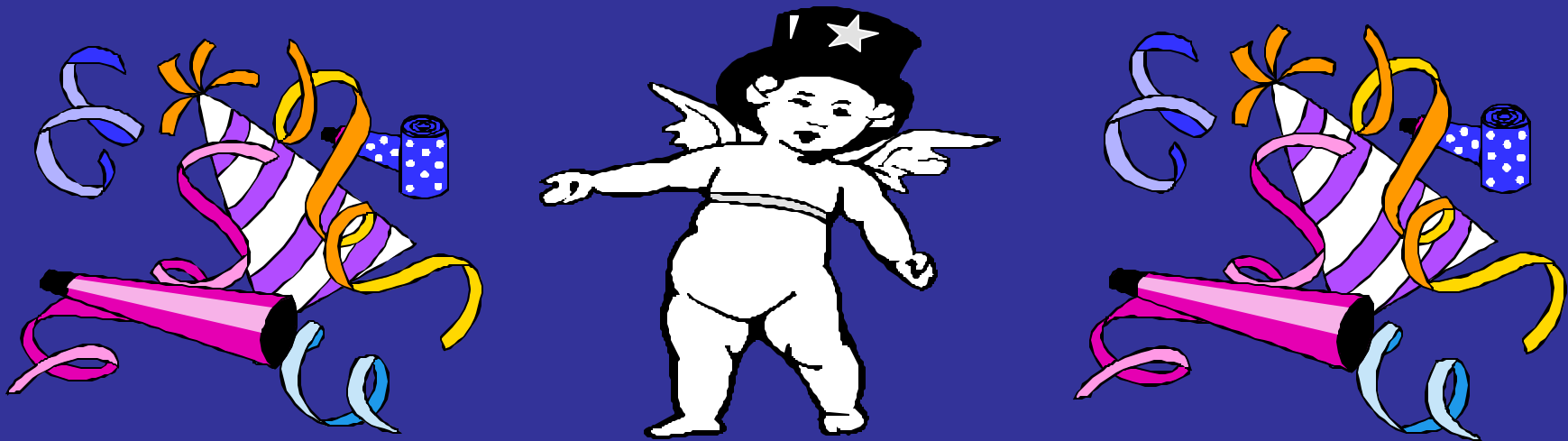
Textbook Definition of Accrual Basis of Accounting

- Costs (accruals) are recognized at the time the goods, services, or property are received, or for actual performance progress under contract.
- No regard to when cash disbursements are made.



For the Fiscal Year Ended...

September 30, 1999



11:59:59 PM

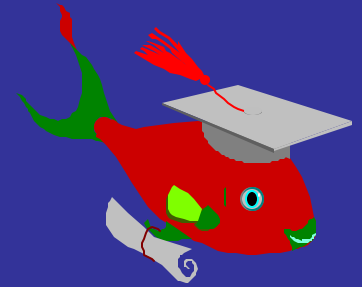
Accrual Accounting: It's the Law !



- 31 U.S.C. 3512 mandates accrual accounting for all Federal Agencies.
- FMFIA of 1982 requires reports of non-compliance.
- CFO Act, GPRA, GMRA, etc.
- FASAB Standards & Concepts
- Audited Financial Statements (OMB 97-01)



Understanding the Difference



Budget versus Accounting



Undelivered Orders

+ Accounts Payable

+ Disbursements

= Total Obligations



+ Accounts Payable

+ Disbursements

= Total Costs



Synonyms:
... they all mean the same

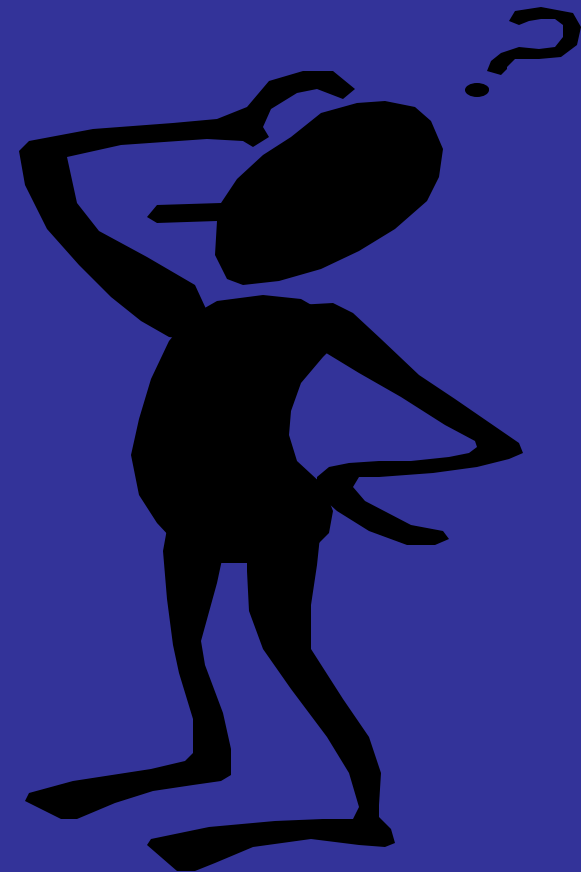
» **Undelivered Orders**
... can also be called:

- **Unexpended
Obligations**



Synonyms:
... they all mean the same

- » **Accounts Payable**
... can also be called:
- **Accruals**
- **Unpaid Accrued Expenditures**
- **Expended Authority - Unpaid**



Synonyms: **... they all mean the same**

» Disbursements

... can also be called:

- Cash Outlays**
- Paid Accrued
Expenditures**
- Expended Authority -
Paid**



FY 1998 NOAA Audit Results



- 1 out of every 5 disbursements tested in Oct. and Nov. 1998 were not properly accrued at 9/30/98.
- 25 invoices for \$15.9 M not accrued (\$12.5 M not capitalized).
- Accruals established in error; one document should have remained an undelivered order.

Object Class 11xx and 12xx: Personnel Comp & Benefits



- Comprises 33% of NOAA's total costs.
- Accruals computed by FIMA system based on prior pay period.
- Finance Office enters NOAA-wide accruals. (i.e., Accrued

Object Class 23xx: Rent, Utilities, & Comm.



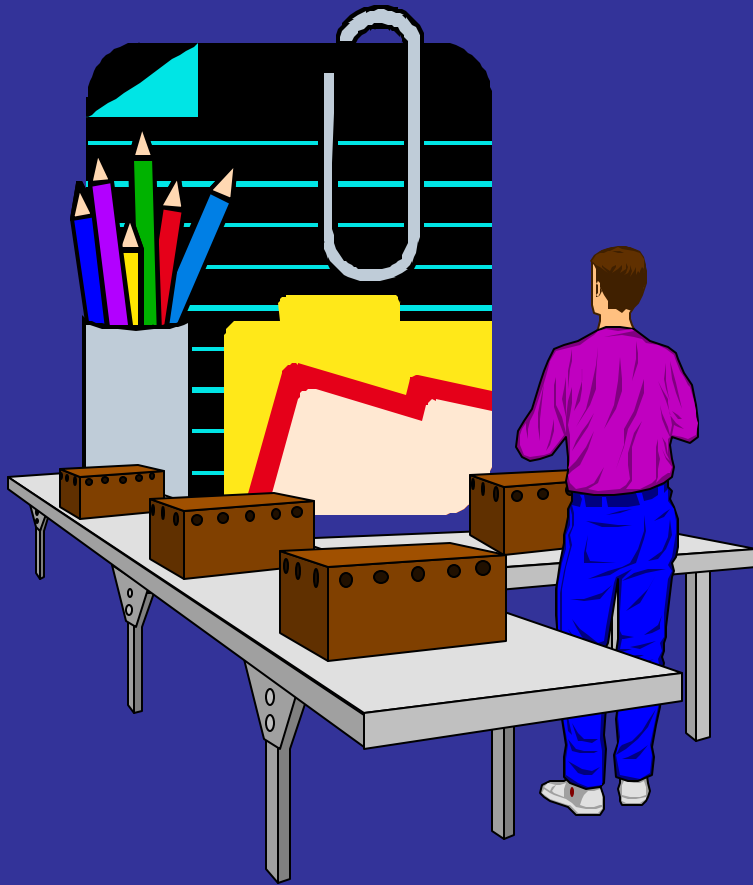
- Comprises 5% of NOAA's total yearly costs.
- Bldg. Space Rental
- Electric, Water, Gas
- Equipment Rentals
- Telecommunications

Object Class 25xx: Other Contractual Services



- Comprises 32% of NOAA's total costs.
- Consulting.
- Maintenance/Repairs.
- Research & Development.
- Departmental Services.
- Bldg. Alteration

Object Class 26xx: Supplies and Materials



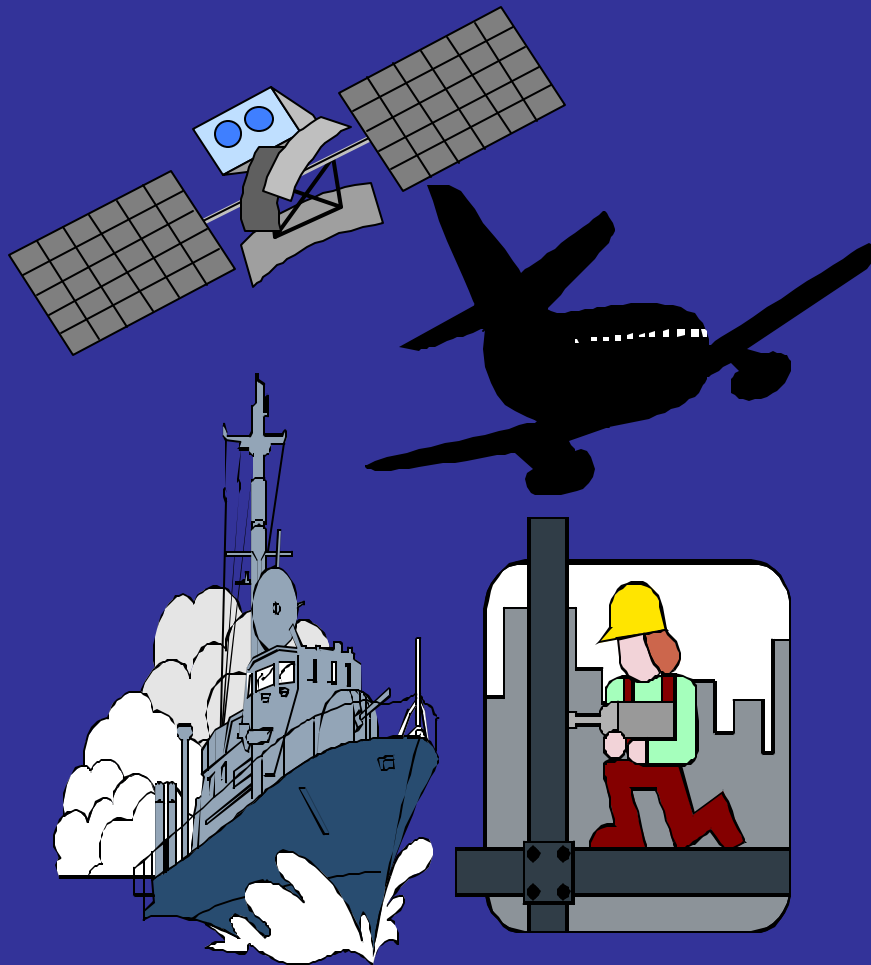
- Comprises 5% of NOAA's total yearly costs.
- Fuel.
- Paper.
- Photo Supplies.

Object Class 31xx: Equipment & Capital Leases



- Comprises 8% of NOAA's total yearly costs.
- Office Furniture.
- Computers.
- Capital Leases.
- > *Did NOAA have possession by 9/30?*

Various Object Classes: Construction Work-In-Progress (CWIP)



- Ships
 - Satellite Systems.
 - Aircraft.
 - Buildings.
-
- > *% Completed @9/30
less amounts paid.*
 - > *Contact with COTRs
concerning
progress.*

Object Class 41xx: Grants and Subsidies



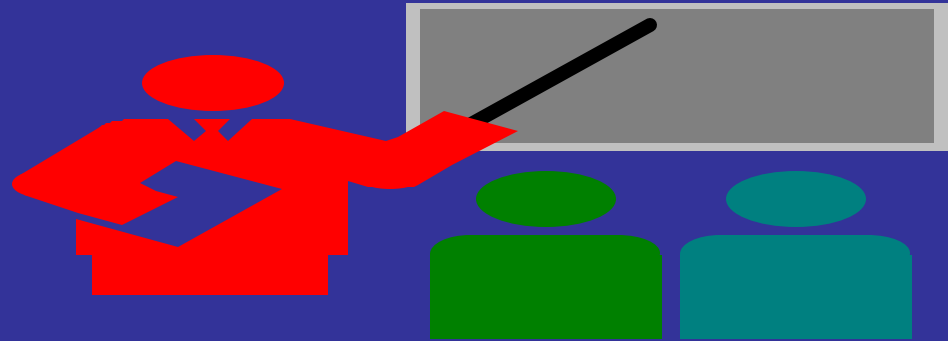
- Comprises 14% of NOAA's total yearly costs.
- If advanced, accrual not required.
- If not advanced, accrual may be needed based on progress report.

Recording Accruals in the Absence of Invoices



- Receiving Reports.
- Prior Month, Qtr., Year.
- Performance Reports.
- Obligation Figure.
- Use Estimates from COTR, Contractor, and/or Company.
- Use Common Sense.

More Rules



- Don't reduce (de-obligate or accrue) an undelivered order prematurely.
- Review all major contracts & FY activity.
- Retain documentation for auditors and for future reference/consistency.
- Keep in contact with COTR, if applicable.
- Use "Accounts Payable Aged Accounts" Report to clean-up old accruals.

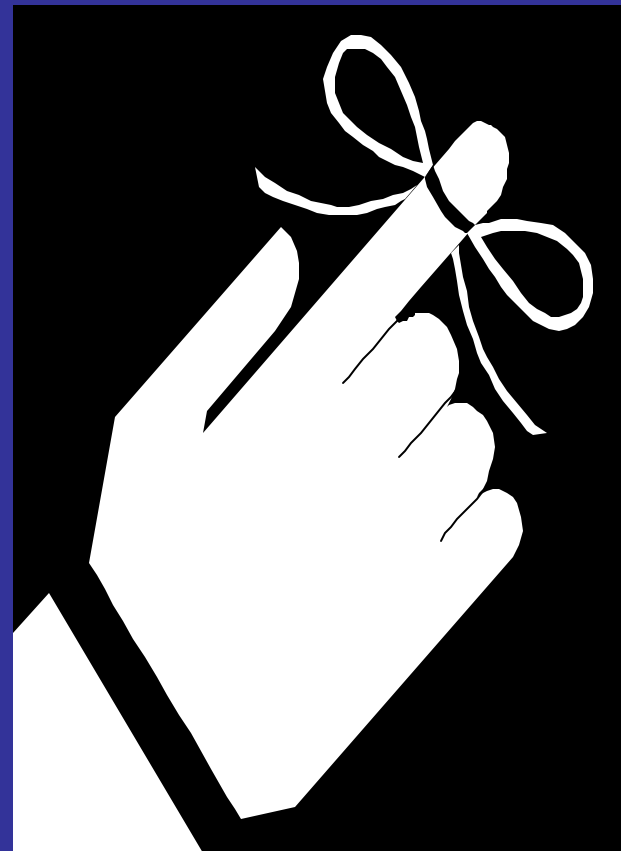
Important Dates

- Fiscal '99 Year End - 9/30/99
- FIMA System Close - 10/5/99
- Accounting Adjustments - 10/15/99
- NOAA reviews Oct. FY99 - 11/1/99
- KPMG reviews Oct. - Dec. - 12/31/99



Remember what was Accrued

The transaction data (org/task/document #/ object class/phase #) used to establish an accrual for FY 1999, must be the same when reducing the accrual (de-ob or payment) during FY 2000.



Quick Quiz

- Accruals represent the total amounts owed as of 9/30 for work completed under construction contracts, as well as for services and property received during the fiscal year ended 9/30.
- Ordered 100 computers on 8/30 for \$500,000. Received 50 computers on 9/10. Received another 20 computers on 9/27. It's 9/30, you haven't received any invoices and you don't know where the remaining 30 computers are. Should an accrual be recorded? yes If so, for how much? \$350,000